

# BALANCING RISK—RESOURCING ARMY TRANSFORMATION

## 9

Managing risk is a central element of both the Defense Strategy and the Army program. The Army manages risk using the Defense Risk Framework. This risk management approach is comprised of four related dimensions that can be translated into the Army's program.

**Operational Risk:** Defined as ensuring U.S. military and civilian personnel are ready at all times to accomplish the range of missions assigned them in the Defense Strategy. This is the Army's current readiness, which is maintained through unit training, Current Force modernization and recapitalization and sustainment.

**Future Challenge Risk:** Defined as anticipating future threats and adjusting capabilities to maintain a military advantage against them. This is the Army Transformation to the Future Force.

**Force Management Risk:** Defined as providing a trained and ready force. These are the Army People programs—Man the Force, Well-Being, and Leader Development.

**Institutional Risk:** Defined as developing management practices and controls that use resources efficiently and promote the effective operations of the Defense establishment. This is the Army's business and resource processes as well as its installations and infrastructure programs.

### RISK IN PB04

President's Budget FY04 (PB04) prepares the Army for the next decade, but not without risk. In preparation for PB04, the Army made difficult decisions to compensate for directed guidance in support of the Current Force and maintain its commitment to accelerate transformation to reduce risk in the Future Force. To reduce future risk and fund Army transformational capabilities, the Army accepted a higher level of operational risk in the Current Force. In the three programs (PB01 to PB03) prior to PB04, the Army terminated twenty-nine programs resulting in \$8.2B in savings that were reinvested in Army transformational capabilities and restructured others for an additional \$4.8B. PB04 accelerated this trend with an additional \$24B in terminations and restructures. These

reductions and other similar decisions concentrated risk in several areas such as the operational risk of the Current Force. The Army must continue to assess the risk in its program as it tries to balance current readiness, the well-being of its people, transformation to the Future Force, and new operational commitments emerging from the GWOT.

### RISK IN PB05, POM 06-11 AND FUTURE YEARS DEFENSE PROGRAMS (FYDP)

Since the submission of PB04, the global strategic environment has continued to change. As of 7 October 2003, the Army had over 327,000 Soldiers deployed in over 120 countries. Recent and projected operational commitments have caused the Army to reexamine its risk assessment—specifically how to balance risk between the Current Force and the Future Force.

Congressional supplemental funding has offset most of the costs for these operations; however, the congressional supplemental funding has not fully reimbursed the Army for ongoing operations or the redeployment of assets in support of these operations. The resulting cost of the Army's continuing global commitments introduces operational and force management risks that must be continuously evaluated in the several FYDPs.

The Army will focus on providing flexible, responsive and accelerated resource processes in support of current operations and the GWOT. The Army will also shift its focus to accelerate those identified capabilities and DOTMLPF solutions associated with the Future Force and insert them into the Current Force. Nevertheless, difficult resource decisions must be made for this acceleration and insertion—the Army should be resourced to a level at which it can appropriately balance the risk between both the Current and Future Forces.

As outlined at the end of this chapter, the Army's Program Change Proposals (PCPs) for PB05 reinforce the Army's commitment to both the FCS and the Future Force. The FCS and Complementary Systems PCP alone proposes more than \$3B in additional resources.

As part of POM 06-11, the focus of Army Modernization will also be reviewed. The Army will reexamine the capability trades and the balance of risk across the Defense Risk Framework, how capabilities will be resourced across the entire force, and what capabilities need to be divested to make the plan affordable.

Again, a way to alter the risk profile within Army Transformation is by accelerating Future Force DOTMLPF solutions to the Current Force. Similarly, operational experience with the Current Force will continue to guide Future Force development and experimentation.

Force management risk addresses the Army's People programs and its force structure. With a high Current Force operational tempo associated with GWOT and other commitments, force man-

agement risk is higher than anticipated. The Army is taking active steps to reduce this risk in the near term. The following actions focus on reducing this risk:

- **Rotation Plan**—Implement a rotation plan that supports sustained global engagement
- **Force Stabilization and Unit Manning System**—Implement to revise the manning system to complement the rotation-based system of sustained global engagement and minimize individual rotations
- **Modularity**—Initiate a reset of the Army to a provisional design. Reorganize elements of the Current Force into prototype organizations that achieve the near-term modularity required for brigade and division echelons
- **AC/RC Balance**—Develop force structure options to have a modular Army and a proper mix of AC/RC forces
- **Soldier and Installation as Flagships (Well-being)**—Synchronize programs to the rotation plan to support families and installations when Soldiers are deployed

The Army will continue to reassess this risk in POM 06-11.

Institutional risk addresses the Army's installation and infrastructure programs as well as nonprogrammatic items such as business practices. The risk associated with these programs is acceptable and is expected to be reduced in future years. The Army is currently looking at options to improve resource processes such as the TAP and reorganization of the Army Staff to align with JCIDS.

The Army may reduce risk through smart business decisions and initiatives. The Army will leverage resource decision opportunities across DOTMLPF to increase capabilities spent over time. Risk reduction efforts may be in the form of resource investments that reduce equipment or personnel requirements and still provide the same or greater capability. By freeing up additional resources, the Army may be able to

increase capabilities or take the opportunity to accelerate capabilities intended for the Future Force and insert them into the Current Force. The Army will make these risk reduction decisions across the Defense Risk Framework for both the Current and Future Forces to achieve a smaller, lighter and more lethal force now and in the future.

## **FUNDING ARMY TRANSFORMATIONAL CAPABILITIES IN PB04 AND PROGRAM CHANGE PROPOSALS (PCPs) FOR PB05**

The Army's program of record remains PB04. The OSD Management Initiative Decision (MID) 913 directed that POM 05-09 would result in only minor modifications. This chapter describes the Army's program of record (PB04) and briefly describes the nine PCPs the Army has submitted to OSD that will modify PB04 and its associated FYDP. Detailed PB04 program information on transformational programs is provided in Annex B.

## **DEFENSE TRANSFORMATION GOALS**

PB04 aligned Army Transformation funding across its Current and Future Forces with the six Defense Transformation Goals (Critical Operational Goals). To support these goals, funding was increased by \$16B (37 percent), for a total of \$58.5B. Over 50 percent of the Army's entire research, development, and acquisition (RDA)

program across POM 04-09 is clearly transformational or S&T (\$11.3B).

## **CURRENT FORCE**

The Current Force guarantees the Army's near-term warfighting readiness. Because the Army skipped a procurement generation (1990s and 2000s), the Army's combat support and CSS systems exceed their expected life (20 years for most systems). Further, 75 percent of critical combat systems exceed their expected half-life. To maintain operational readiness and to stabilize the growth in operating and support costs of the Army's aging weapon systems, the Army is recapitalizing and selectively modernizing a portion of the Current Force.

## **CURRENT FORCE SYSTEMS**

The Current Force, which includes Stryker Brigades, heavy divisions, light divisions, aviation and SOF, has proven its combat effectiveness in OIF and OEF. The Army expects to continue funding combat operations through leveraging the use of congressional supplementals. However, the use of supplemental funding does not fully reimburse the Army for ongoing operations or the redeployment of assets in support of these operations. The Current Force must continue to be resourced to ensure warfighting readiness is maintained.

In accordance with the directed guidance in the DPG, the Army has accepted more risk in its

<b>FY04-09 (4M)</b>	<b>PB 03</b>	<b>PB04</b>	<b>Increase</b>	<b>%Increase</b>
Project and Sustain Power	25,571	37,849	12,278	48%
Protecting Critical Bases	2,221	2,716	496	22%
Deny Enemy Sanctuary	4,666	6,218	1,552	33%
Conducting Information Operations	563	562	-1	0%
Conduct Space Operations	1,321	1,541	220	17%
Leverage Information Technology	5,416	7,048	1,632	30%
Experimentation	2,215	2,589	373	17%
<b>Army Transformation Total</b>	<b>41,972</b>	<b>58,522</b>	<b>16,550</b>	<b>39%</b>

Table 9-1. Critical Operational Goals Program Summary

SELECTED PB04 UPGRADES AND RECAPITALIZATION (\$M)							
Program Upgrade/Recap	FY04	FY05	FY06	FY07	FY08	FY09	FY04-09
Abrams M1A2 Sep	398	541	369	380	287	112	2,086
Apache AH64A	776	455	545	572	361	160	2,868
Blackhawk UH60	184	182	387	386	603	607	2,348
Chinook CH47F	530	549	607	515	659	783	3,644
Bradley M2A3 Upgrade	150	126	47	62	57	35	477

Table 9-2. PB04 Program Upgrades and Recapitalization

SELECTED PB04 REBUILD AND RECAPITALIZATION (\$M)							
Program Upgrade/Recap	FY04	FY05	FY06	FY07	FY08	FY09	FY04-09
Abrams M1A1	132	130	133	116	0	0	511
Blackhawk UH60A	113	105	106	110	110	110	654
Chinook CH47D	24	22	34	35	47	47	208

Table 9-3. PB04 Program Rebuild and Recapitalization

Current Force in order to fund Army Transformation efforts. As previously discussed, the Army has terminated and restructured numerous programs to generate savings that were reinvested in Army Transformation. PB04 accelerated this trend by decreasing funding for Current Forces by another \$22.5B of which \$13.5B was reallocated to the FCS. In general, funding was increased for programs that were clearly transformational and supported the Defense Transformation goals; sustained for high-priority systems that will transition to the Future Force; and reduced for systems that are not essential to Transformation. The Army will reassess this balance in PB05 and in future defense programs.

The majority of the Army's funding for the Current Force is for systems that transition into the Future Force. These systems benefit the warfighter today and in the future to include the FCS-equipped UAs. These systems can be classified as: those that are part of the Current Force and will transition to the Future Force and those that are being built specifically for the Future Force. Focusing on systems that will benefit the

Army today and into the next decade is clearly a wise use of scarce resources. Overall, the Army has \$14.9B invested toward recapitalization of the Current Force. This funds the rebuild and selected upgrade of currently fielded systems to ensure operational readiness and a near zero-time/zero-mile system. Clearly, investing in these programs is prudent to ensure their ability to operate in the future (Tables 9-2 and 9-3).

## STRYKER BRIGADES

The Stryker Brigades provide increased strategic responsiveness and the tactical overmatch when properly augmented to meet the full range of future operational requirements. The first two of six combat brigades are already in the process of converting to SBCTs, with the fielding of the Stryker Armored Vehicle (SAV). The first SBCT has completed all operational testing and is prepared to deploy to Iraq. The Army has allocated resources to fund the SAV, SBCT support equipment, training enablers, sustainment enablers, and infrastructure costs for all six brigades (Table 9-4).

<b>PB04 STRYKER BRIGADE SUMMARY (\$M)</b>							
<b>SBCT</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>	<b>FY04-09</b>
SBCT 1 (Lewis)*	100	45	143	73	100	50	510
SBCT 2 (Lewis)*	32	17	189	66	8	0	312
SBCT 3 (Alaska)*	250	97	42	404	14	7	814
SBCT 4 (Polk)*	999	300	45	37	4	11	1,396
SBCT 5 (Hawaii)	118	1,208	175	58	8	13	1,578
SBCT 6 (ARNG)	67	27	871	632	118	8	1,724
USAREUR	35	43	132	55	5	5	275
<b>Grand Total</b>	<b>1,602</b>	<b>1,737</b>	<b>1,596</b>	<b>1,324</b>	<b>256</b>	<b>94</b>	<b>6,610</b>

\*Does not include FY01-03 funding

Table 9-4. Stryker Brigade Summary

## FUTURE FORCES

The Army is developing a Future Force that is a strategically responsive, precision maneuver force, dominant across the range of military operations. The Future Force is not meant to be envisioned as an ultimate destination, but is instead a path toward continuous change. Optimized for strategic versatility, this lighter, more agile force will dominate land operations in any future conflict, executing seamless transitions from peacetime readiness to smaller scale contingencies or major theater war.

The Future Force will be equipped with significantly advanced capabilities provided by systems such as FCS, WIN-T, and Comanche. The Future Force will be commander- and execution-centric—networked horizontally and vertically through mobile, adaptive, reliable, battle command capabilities. It will leverage

joint and interagency reachback and direct down-link capabilities for intelligence, force planning, administration, technical engineering, information operations and logistical support.

In developing the Future Force, the Army is focusing on three critical challenges within the FCS program: C4ISR architecture (the Network); spiral development and field experimentation; and tactics and doctrine (complete DOTMLPF minus materiel). The ability to take emerging capabilities from Future Force programs and insert them into the Current Force must be a key component of all discussions. The FCS and other Future Force programs must remain both affordable and financially flexible so that key capabilities can be inserted into the Current Force.

<b>PB04 FUTURE FORCE PROGRAMS (\$M)</b>							
<b>Programs</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>	<b>FY04-09</b>
FCS	1,701	2,684	3,426	3,733	5,629	5,005	22,178
WIN-T	86	69	176	128	277	305	1,041
Comanche	1,080	1,181	1,426	1,963	2,260	2,600	10,510

Table 9-5. PB04 Future Force Program Summary



## SCIENCE AND TECHNOLOGY

PB04 SCIENCE AND TECHNOLOGY (\$M)							
Science and Technology	FY04	FY05	FY06	FY07	FY08	FY09	FY04-09
PB04	1,790	1,828	1,898	1,902	1,952	1,948	11,318

Table 9-6. PB04 Science and Technology Summary

The Army S&T effort is focused on the transformational capabilities described in Chapters 2 through 5. In PB04, the Army funded \$11.3B of S&T, with nearly 97 percent specifically targeted for the Future Force. This is a \$1.08B increase from PB03 FYDP levels (Table 9-6). This adequately funds all of the Army's critical S&T requirements to begin the fielding of the Future Force. In addition to its own S&T funding, the Army has entered into a joint venture with the Defense Advanced Research Projects Agency (DARPA), in which DARPA provides an additional \$431M of S&T funding from FY00-05, to develop key FCS technologies.

### PROGRAM CHANGE PROPOSALS FOR FY05-09 PROGRAM REVIEW

The Army submitted nine PCPs to PB04 for submission in PB05. Eight of these PCPs will directly influence and accelerate development of Army transformational capabilities. These PCPs reinforce the Army's commitment to both FCS and the Future Force. The FCS and Complementary Systems PCP alone proposes an increase of over \$3B. The following lists Army PCPs to PB05 summary:

- FCS and Complementary Systems—Funds FCS and Complementary Systems per the Defense Acquisition Board
- Cruise Missile Defense—Resources cruise missile defense acceleration
- Training Ammunition—Resources additional training ammunition for the Current Force
- Leader Development—Supports multiple facets of the Army's Leader Development program

- Army-Guard Restructure Initiative (AGRI)—Converts one ARNG current heavy brigade to a mobile light brigade optimized for HLS
- Rebalance Forces (Swiftly Defeat the Effort (SDTE)—Transfers selected combat support and combat service support capabilities from the RC and emerging TAA-11 requirements to the AC to reduce the requirement for involuntary mobilization of RC in first 15 days of first SDTE (complies with 9 July SECDEF memorandum)
- Rebalance Forces (High Demand/Low Density (HD/LD)—Activates RC HD units for rotational support of Posture of Engagement (POE) (complies with 9 July SECDEF memorandum)
- Use of RC for POE Requirements—PCP captures funding already programmed to support the RC mission in Stabilization Force/Kosovo Peacekeeping Force (SFOR/KFOR) by detailing funds moved from operation and maintenance (O&M) to military pay. The SECDEF directed the Services to submit PCPs to allow RC capabilities for meet predictable, long lead-time missions such as rotational overseas presence and experimentation
- Increase Use of Reachback—PCP identifies those actions already underway, along with future refinements and new initiatives that will be pursued to leverage reachback support to forward operations while reducing the deployed footprint

The Army's Current to Future Force transformation concept requires smart business decisions. The Army will leverage resource decisions across the DOTMLPF that increase

capabilities per dollar spent over time. The Army continues exploring and integrating select new and faster ways to employ existing capabilities and rapidly integrates select new technologies in the operational force, and undertakes generating force enhancements that increase current readiness and relevance. Exploiting these enhancements will increase the Army's flexibility,

utility, and effectiveness as part of the joint force. Smart business decisions or actions that the Army is currently taking are in the areas of the Unit Rotation Plan, Force Stabilization and Unit Manning System, Modularity, AC/RC Balance, and Soldier and Installation as Flagships (Well-being) and other initiatives.